Return on Investment (ROI) Program Funding Application

This template was built using the ITD ROI Submission Intranet application.
FINAL AUDIT REQUIRED: The Enterprise Quality Assurance Office of the Information Technology Department is required to perform post implementation outcome audits for all Pooled Technology funded projects and may perform audits on other projects.

This is a Pooled Technology Fund Request. Amount of funding requested: <u>$190,000.00</u>

Section I: Proposal

Date:	8/8/2003
Agency Name:	Information Technology Enterprise
Project Name:	Enterprise HIPAA Compliance Project Office
Agency Manager:	Tom Shepherd
Agency Manager Phone Number / E-Mail:	(515)725-0294 / tom.shepherd@itd.state.ia.us
Executive Sponsor (Agency Director or Designee):	John Gillispie (ITD)

A. Project Summary

Describe the nature and use of the proposed project, including what is to be accomplished, how it will be accomplished, and what the costs and benefits will be.
Response:

B. Strategic Plan

How does the proposed project fit into the strategic plan of the requesting agency?
Response:

C. Current Technology

Provide a summary of the technology used by the current system. How does the proposed project impact the agency's technological direction?
Response:

D. Statutory or Other Requirements

Is this project or expenditure necessary for compliance with a Federal law, rule, or order?
☑ YES (If "Yes", cite the specific Federal law, rule or order, with a short explanation of how this project is impacted by it.)
Explanation:
The Health Insurance Portability and Accountability Act (HIPAA) of 1996 (Public Law 104-191) was passed by Congress to reform the insurance market and simplify health care administrative processes. Compliance is required by federal law (it is not discretionary). The final HIPAA Security Standards were published in the February, 20 Federal Register with an effective date of April 21, 2003. This gives HIPAA-covered entities two full years (until April 21, 2005) to comply.

Is this project or expenditure required by state law, rule or order?

☐ YES (If "YES", cite the specific state law, rule or order, with a short explanation of how this project is impacted by it.)

Explanation:

Does this project or expenditure meet a health, safety or security requirement?

☐ YES (If "YES", explain.)

Explanation:

Is this project or expenditure necessary for compliance with an enterprise technology standard?

☑ YES (If "YES", cite the specific standard.)

Explanation:
While not strictly in compliance with existing standards, HIPAA requirements will drive future changes in a number of the security and workstation standards.

[This section to be scored by application evaluator.]

Evaluation (20 Points Maximum)
If the answer to these criteria is "no," the point value is zero (0). Depending upon how directly a qualifying project or expenditure may relate to a particular requirement (federal mandate, state mandate, health-safety-security issue, or compliance with an enterprise technology standard), or satisfies more than one requirement (e.g. it is mandated by state and federal law and fulfills a health and safety mandate), 1-20 points awarded.

E. Impact on Iowa's Citizens

a. Project Participants

List the project participants (i.e. single agency, multiple agencies, State government enterprise, citizens, associations, or businesses, other levels of government, etc.) and provide commentary concerning the nature of participant involvement. Be sure to specify who and how many **direct** users the system will impact. Also specify whether the system will be of use to other interested parties: who they may be, how many people are estimated, and how they will use the system.

Response:

1. Hipaa-covered entities in state and local government - HIPAA-covered entities are required to meet substantial privacy, security, and claims processing standards. This compliance will affect all aspects of their operations and will require extensive, ongoing employee training.
2. Enterprise HIPAA Compliance Project Office - The project office is a key member of the Iowa Strategic National Implementation Process (SNIP) for HIPAA. The Iowa SNIP is focused on reducing the level of effort and costs of HIPAA implementation for governmental and private HIPAA-covered entities. This effort dramatically improves HIPAA compliance across the state and provides for a coordinated compliance effort that is consistent with both federal and Iowa law. The project office reviews proposed changes to the HIPAA standards and files comments and suggestions. The project office general HIPAA briefings and in-depth HIPAA privacy and security training for state agencies and officials in all of Iowa's 99 counties and provides accredited continuing legal education sessions for the Iowa Bar Association. The project office also maintains a state government HIPAA website (http://www.state.ia.us/government/hipaa/) and the Iowa SNIP website (http://www.iowasnip.org), the source authority for HIPAA compliance and guidance in Iowa.

b. Service Improvements

Summarize the extent to which the project or expenditure improves service to Iowa citizens or within State government. Included would be such items as improving the quality of life, reducing the government hassle factor, providing enhanced services, improving work processes, etc.
Response:

The project office was a founding member of Iowa's Strategic National Implementation Plan (SNIP) for HIPAA. The Iowa SNIP is focused on reducing the level of effort and costs of HIPAA implementation for governmental entities as well as health care practitioners (e.g. physicians, dentists and chiropractors), hospitals, insurers, self-insured health plans and employers throughout the state. This effort dramatically improves HIPAA compliance across the state and provides for a coordinated compliance effort that is consistent with both federal and Iowa law.

c. Citizen Impact

Summarize how the project leads to a more informed citizenry, facilitates accountability, and encourages participatory democracy. If this is an extension of another project, what has been the adopted rate of Iowa's citizens or government employees with the preceding project?
Response:

The coordination and collaboration on HIPAA compliance fostered through the project office translates into lower healthcare costs and a higher quality of service for all Iowans.

d. Public Health and/or Safety

Explain requirements or impact on the health and safety of the public.
Response:

[This section to be scored by application evaluator.]

Evaluation (10 Points Maximum)

- Minimally improves Customer Service (0-3 points).
- Moderately improves Customer Service (4-6 points).
- Significantly improves Customer Service (7-10 points).

[This section to be scored by application evaluator.]

Evaluation (15 Points Maximum)

- Minimally directly impacts Iowa citizens (0-5 points).
- Moderately directly impacts Iowa citizens (6-10 points).
- Significantly directly impacts Iowa citizens (11-15 points).

F. Process Reengineering

Provide a pre-project or pre-expenditure (before implementation) description of the impacted system or process. Be sure to include the procedures used to administer the impacted system or process and how citizens interact with the current system.

Response:

Most healthcare transactions are processed using inefficient paper-based systems. Additionally, the healthcare claims were coded using some universal coding conventions and over 1,100 transaction codes unique to Iowa. This severely impaired the interchange of information and payment of claims from various states and provided significant barriers to the portability of health insurance.

Provide a post-project or post-expenditure (after implementation) description of the impacted system or process. Be sure to include the procedures used to administer the impacted system or process and how citizens will interact with the proposed system. In particular, note if the project or expenditure makes use of information technology in reengineering traditional government processes.

Response:

Once HIPAA administrative simplification is implemented, HIPAA requirements are expected to substantially reduce the overall cost of healthcare administration and should significantly improve the delivery of healthcare services. Attaining compliance will ensure the security and privacy of personally identifiable health information and will standardize the coding for electronic medical claims data nationwide to ensure the portability of healthcare information (most notably claims processing and medical records) maintained in electronic form.

[This section to be scored by application evaluator.]

<u>Evaluation</u> **(10 Points Maximum)**

- <u>Minimal</u> use of information technology to reengineer government processes (0-3 points).
- <u>Moderate</u> use of information technology to reengineer government processes (4-6 points).
- <u>Significant </u>use of information technology to reengineer government processes (7-10).

G. Timeline

Provide a projected timeline for this project. Include such items as planning, database design, coding, implementation, testing, conversion, parallel installation, and date of final release. Also include the parties responsible for each item.

Response:

[This section to be scored by application evaluator.]

<u>Evaluation</u> **(5 Points Maximum)**

- The timeline contains several problem areas (0-2 points)
- The timeline seems reasonable with few problem areas (3-4 points)
- The timeline seems reasonable with no problem areas (5)

H. Funding Requirements

On a fiscal year basis, enter the estimated cost by funding source: Be sure to include developmental costs and ongoing costs, such as those for hosting the site, maintenance, upgrades, ...

	FY04		FY05		FY06	
	Cost	% Total		% Total	Cost	% Total

	($)	Cost	Cost($)	Cost	($)	Cost
State General Fund	$0	0%	$0	0%	$0	0%
Pooled Tech. Fund /IowAccess Fund	$0	0%	$190,000	100%	$0	0%
Federal Funds	$0	0%	$0	0%	$0	0%
Local Gov. Funds	$0	0%	$0	0%	$0	0%
Grant or Private Funds	$0	0%	$0	0%	$0	0%
Other Funds (Specify)	$0	0%	$0	0%	$0	0%
Total Project Cost	$0	100%	$190,000	100%	$0	100%
Non-Pooled Tech. Total	$0	0%	$0	0%	$0	0%

[This section to be scored by application evaluator.]

<u>**Evaluation**</u> **(10 Points Maximum)**

- The funding request contains questionable items (0-3 points)
- The funding request seems reasonable with few questionable items (4-6 points)
- The funding request seems reasonable with no problem areas (7-10)

I. Scope

Is this project the first part of a future, larger project?
☐ YES (If "YES", explain.) ☑ NO, it is a stand-alone project.
Explanation:

Is this project a continuation of a previously begun project?
☑ YES (If "YES", explain.)
Explanation:
Enterprise HIPAA Compliance activities commenced in the executive branch of government in October, 2001. There was $219,000 in Pooled Technology funding for the Enterprise HIPAA Compliance Project Office (the project office) activities in FY02. No other enterprise HIPAA funds were available. For FY03, there were pressing HIPAA project requirements; however there are no project funds currently available from any source. The salaries of the partial FTEs assigned to HIPAA and the $55,000 for the HIPAA attorney (Janet Hoffman) from the Attorney General's Office was paid from "other funds". The project office, under Janet Hoffman's guidance, coordinated the analysis of how HIPAA preempted Iowa law with a team of nine public and private sector attorneys. This preemption analysis is available at no cost through the HIPAA websites maintained by the project office.

The project office and HIPAA assistant attorney general receives between 5 and 50 HIPAA inquiries on a weekly basis from state agencies (and their vendors or contractors), healthcare providers, attorneys, insurance companies and other states. Many questions are answered over the phone or in an e-mail; however, the project office regularly consults with governmental entities on legal and procedural questions in an effort to ensure compliance with state and federal law.

J. Source of Funds

On a fiscal year basis, how much of the total project cost ($ amount and %) would be <u>absorbed</u> by your agency from non-Pooled Technology and/or IOWAccess funds? If desired, provide additional comment / response below.
Response:
In FY03, 100% of project office expenses were obtained from other funds. Reduced budgets prevent this from occurring in subsequent fiscal years.

<u>Evaluation</u> **(5 Points Maximum)**

- 0% (0 points)
- 1%-12% (1 point)
- 13%-25% (2 points)
- 25%-38% (3 points)
- 39%-50% (4 points)
- Over 50% (5 points)

Section II: Financial Analysis

A. Project Budget Table

It is necessary to <u>estimate and assign</u> a useful life figure to <u>each</u> cost identified in the project budget. Useful life is the amount of time that project related equipment, products, or services are utilized before they are updated or replaced. In general, the useful life of hardware is three (3) years and the useful life of software is four (4) years. Depending upon the nature of the expense, the useful life for other project costs will vary between one (1) and four (4) years. On an exception basis, the useful life of individual project elements or the project as a whole may exceed four (4) years. Additionally, the ROI calculation must include all <u>new</u> annual ongoing costs that are project related.

The Total Annual Prorated Cost (State Share) will be calculated based on the following equation:

$$\left[\left(\frac{Budget\ Amount}{Useful\ Life} \right) \times \%\ State\ Share \right] + \left(Annual\ Ongoing\ Cost \times \%\ State\ Share \right) = Annual\ Prorated\ Cost$$

Budget Line Items	Budget Amount (1st Year Cost)	Useful Life (Years)	% State Share	Annual Ongoing Cost (After 1st Year)	% State Share	Annual Prorated Cost
Agency Staff	$0	1	0.00%	$0	0.00%	$0
Software	$0	4	0.00%	$0	0.00%	$0
Hardware	$0	3	0.00%	$0	0.00%	$0
Training	$0	4	0.00%	$0	0.00%	$0
Facilities	$0	1	0.00%	$0	0.00%	$0
Professional Services	$0	4	0.00%	$0	0.00%	$0
ITD Services	$0	4	0.00%	$0	0.00%	$0
Supplies, Maint, etc.	$0	1	0.00%	$0	0.00%	$0

Other	$0	1	0.00%	$0	0.00%	$0
Totals	$0	---	---	$0	---	$0

C. Tangible and/or Intangible Benefits

Respond to the following and transfer data to the ROI Financial Worksheet as necessary:

1. Annual Pre-Project Cost - This section should be completed only if state government operations costs are expected to be reduced as a result of project implementation. **Quantify actual state government direct and indirect costs** (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation.
Describe Annual Pre-Project Cost:

Quantify Annual Pre-Project Cost:

	State Total
FTE Cost (salary plus benefits):	$0.00
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	$0.00
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	$0.00
Total Annual Pre-Project Cost:	$0.00

2. Annual Post-Project Cost - This section should be completed only if state government operations costs are expected to be reduced as a result of project implementation. **Quantify actual state government direct and indirect costs** (personnel, support, equipment, etc.) associated with the activity, system or process after project implementation.
Describe Annual Post-Project Cost:

Quantify Annual Post-Project Cost:

	State Total
FTE Cost (salary plus benefits):	$0.00
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	$0.00
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	$0.00
Total Annual Post-Project Cost:	$0.00

3. Citizen Benefit - Quantify the estimated annual value of the project to Iowa citizens. This includes the "hard cost" value of avoiding expenses ("hidden taxes") related to conducting business with State government. These expenses may be of a personal or business nature. They could be related to transportation, the time expended on or waiting for the manual processing of governmental paperwork such as licenses or applications, taking time off work, mailing, or other similar expenses. As a "rule of thumb," use a value of $10 per hour for citizen time.

Describe savings justification:

Transaction Savings

Number of annual online transactions:	0
Hours saved/transaction:	0
Number of Citizens affected:	0
Value of Citizen Hour	0
Total Transaction Savings:	$0
Other Savings (Describe)	$0
Total Savings:	$0

4. Opportunity Value/Risk or Loss avoidance - Quantify the estimated annual <u>non-operations</u> benefit to State government. This could include such items as qualifying for additional matching funds, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, avoiding the consequences of not complying with State or Federal laws, providing enhanced services, avoiding the consequences of not complying with enterprise technology standards, etc.

Response:

5. Benefits Not Readily Quantifiable - List and summarize the overall non-quantifiable benefits (i.e., IT innovation, unique system application, utilization of new technology, hidden taxes, improving the quality of life, reducing the government hassle factor, meeting a strategic goal, etc.).
Response:

ROI Financial Worksheet	
A. Total Annual Pre-Project cost (State Share from Section II C1):	$0
B. Total Annual Post-Project cost (State Share from Section II C2):	$0
State Government Benefit (= A-B):	$0
Annual Benefit Summary:	$0
State Government Benefit:	$0
Citizen Benefit:	$0
Opportunity Value or Risk/Loss Avoidance Benefit:	$0
C. Total Annual Project Benefit:	$0
D. Annual Prorated Cost (From Budget Table):	$0
Benefit / Cost Ratio: (C/D) =	0.00
Return On Investment (ROI): ((C-D) / Requested Project Funds) * 100 =	0.00%

[This section to be scored by application evaluator.]

<u>Evaluation</u> **(25 Points Maximum)**

- The financial analysis contains several questionable entries and provides minimal financial benefit to citizens (0-8 points).
- The financial analysis seems reasonable with few questionable entries and provides a moderate financial benefit to citizens (9-16 points).
- The financial analysis seems reasonable with no problem areas and provides maximum financial benefit to citizens (17-25).

Note: For projects where no State Government Benefit, Citizen Benefit, or Opportunity Value or Risk/Loss Avoidance Benefit is created due to the nature of the project, the Benefit/Cost

Ratio and Return on Investment values are set to Zero.

Appendix A. Auditable Outcome Measures

For each of the following categories, <u>list the auditable metrics for success</u> after implementation and <u>identify how they will be measured.</u>

1. Improved customer service

2. Citizen impact

3. Cost Savings

4. Project reengineering

5. Source of funds (Budget %)

6. Tangible/Intangible benefits